

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
Consolidated Financial Statements

(Audited)

DECEMBER 31, 2021

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

CONTENTS

Statement of Responsibility	3
Independent Auditors' Report	4
Statements	
Consolidated Statement of Financial Position.....	6
Consolidated Statement of Operations.....	7
Consolidated Statement of Changes in Net Financial Assets.....	8
Consolidated Statement of Cash Flows.....	9
Notes to the Consolidated Financial Statements	10
Schedules	
Operations by Segment.....	29
Supplementary Schedules - Unaudited	
COVID-19 SAFE Restart Grant.....	32
Taxation.....	33
Sales of Services.....	34
Other Revenue from own Sources.....	35
Grants and Government Transfers.....	36
General Government Services.....	37
Protective Services.....	38
Engineering and Public Works.....	39
Environmental Health Services.....	40
Recreation and Cultural Services.....	41

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement of Responsibility

The accompanying consolidated financial statements are the responsibility of the management of the District of North Cowichan and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative control designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The North Cowichan Municipal Council met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters before approving the consolidated financial statements.

KPMG LLP, as the Municipality's appointed external auditors, has audited the consolidated financial statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian public sector accounting standards.



Talitha Soldera
Director, Financial Services
May 4, 2022



KPMG LLP
800 – 730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of the Corporation of the District of North Cowichan

Opinion

We have audited the consolidated financial statements of the Corporation of the District of North Cowichan (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Victoria, Canada
May 6, 2022

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	<u>2021 Actual</u>	<u>2020 Actual</u>
Financial Assets		
Cash (Note 4)	\$ 13,432,104	\$ 2,251,706
Temporary Investments (Note 4)	82,067,554	84,720,075
Accounts receivable (Note 5)	4,336,943	5,809,101
	<u>99,836,601</u>	<u>92,780,882</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 6)	7,898,807	9,066,329
Employee future benefits and compensation payable (Note 7)	3,897,036	3,719,981
Unearned revenue (Note 8)	8,652,907	7,230,049
Restricted reserves (Note 12)	14,979,078	13,599,768
Debt (Note 14)	16,572,074	17,563,984
Temporary financing (Note 15)	11,100,000	-
	<u>63,099,902</u>	<u>51,180,111</u>
Net Financial Assets	<u>36,736,699</u>	<u>41,600,771</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	293,335,991	284,742,467
Inventory of supplies	544,905	525,752
Prepaid items	312,745	203,416
Property acquired for taxes	2,416,867	2,341,177
	<u>296,610,508</u>	<u>287,812,812</u>
Accumulated Surplus (Note 17)	<u>\$ 333,347,207</u>	<u>\$ 329,413,583</u>

Commitments and Contingent Liabilities (Notes 16 and 19)

Approved by:



T. Soldera
Director, Financial Services

See accompanying notes to the financial statements

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	2021 Budget (Note 18)	2021 Actual	2020 Actual
Revenues			
Taxation	\$ 38,546,760	\$ 38,519,675	\$ 37,240,736
Sales of services	8,926,770	10,728,853	9,268,220
Other revenue from own sources	1,762,760	2,230,498	1,699,830
Return on investments	1,015,670	192,667	1,126,420
Grants and government transfers	8,297,244	4,546,075	8,977,994
Collections from developers and others	2,228,320	1,889,214	11,080,199
Actuarial adjustments to debt	-	480,087	433,412
	<u>60,777,524</u>	<u>58,587,069</u>	<u>69,826,811</u>
Expenses			
General government services	6,935,450	6,573,706	6,002,079
Protective services	11,371,050	10,902,877	10,370,277
Engineering and public works	11,222,490	12,090,247	10,643,521
Environmental health services	2,292,030	2,116,811	1,990,348
Forestry	742,250	640,730	849,501
Community development	1,440,530	1,393,651	1,168,202
Recreation and cultural services	10,854,970	12,103,772	9,449,782
Water	4,579,910	5,092,167	4,687,674
Sewer	4,634,200	3,739,484	3,660,999
	<u>54,072,880</u>	<u>54,653,445</u>	<u>48,822,383</u>
Annual Surplus	<u>\$ 6,704,644</u>	<u>3,933,624</u>	21,004,428
Accumulated surplus, beginning of year (Note 17)		<u>329,413,583</u>	<u>308,409,155</u>
Accumulated surplus, end of year (Note 17)		<u>\$ 333,347,207</u>	<u>\$ 329,413,583</u>

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	2021 Budget (Note 18)	2021 Actual	2020 Actual
Annual Surplus	\$ 6,704,644	\$ 3,933,624	\$ 21,004,428
Acquisition of tangible capital assets	-	(17,058,247)	(12,203,177)
Contributed tangible capital assets	-	(1,767,497)	(10,866,949)
Amortization of tangible capital assets	9,514,540	10,101,494	9,852,916
Net (gain) loss on sale of tangible capital assets	-	97,740	(3,144)
Proceeds on sale of tangible capital assets	-	10,285	15,842
Write-downs of tangible capital assets	-	22,701	28,032
	<u>9,514,540</u>	<u>(8,593,524)</u>	<u>(13,176,480)</u>
Increase in prepaids	-	(109,329)	(81,934)
(Increase) decrease in inventories	-	(19,153)	14,191
(Increase) decrease in property acquired for taxes	-	(75,690)	328
	<u>-</u>	<u>(204,172)</u>	<u>(67,415)</u>
Change in net financial assets	16,219,184	(4,864,072)	7,760,533
Net financial assets at beginning of year	<u>-</u>	<u>41,600,771</u>	<u>33,840,238</u>
Net financial assets at end of year	<u>\$ 16,219,184</u>	<u>\$ 36,736,699</u>	<u>\$ 41,600,771</u>

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021, WITH COMPARITIVE INFORMATION FOR 2020

	<u>2021 Actual</u>	<u>2020 Actual</u>
Operating transactions		
Annual surplus	\$ 3,933,624	\$ 21,004,429
Non-cash items included in surplus:		
Amortization	10,101,494	9,852,916
Actuarial adjustment to debt	(480,087)	(433,412)
Write-downs of tangible capital assets	22,701	28,032
Net loss on sale of tangible capital assets	97,740	(3,144)
Contributed tangible capital assets	<u>(1,767,497)</u>	<u>(10,866,949)</u>
	11,907,975	19,581,872
Changes in non-cash assets and liabilities:		
Accounts receivable	1,472,158	(2,339,691)
Inventory of supplies	(19,153)	14,191
Prepaid items	(109,329)	(81,935)
Property acquired for taxes	(75,690)	328
Accounts payable	(1,167,522)	4,409,070
Employee future benefits and compensation payable	177,055	(181,239)
Unearned revenue	1,422,858	1,403,957
Restricted reserves	<u>1,379,310</u>	<u>1,750,875</u>
Cash provided by operating transactions	<u>14,987,662</u>	<u>24,557,428</u>
Capital transactions		
Proceeds on sale of tangible capital assets	10,285	15,842
Cash applied to acquire tangible capital assets	<u>(17,058,247)</u>	<u>(12,203,177)</u>
Cash applied to capital transactions	<u>(17,047,962)</u>	<u>(12,187,335)</u>
Investing transactions		
Temporary investments	<u>2,652,521</u>	<u>(11,369,293)</u>
Cash applied to investing transactions	<u>2,652,521</u>	<u>(11,369,293)</u>
Financing transactions		
Proceeds from debt	516,700	-
Proceeds from temporary debt	11,100,000	-
Repayment of debenture debt	<u>(1,028,523)</u>	<u>(1,015,555)</u>
Cash provided by financing transactions	<u>10,588,177</u>	<u>(1,015,555)</u>
Change in cash	11,180,398	(14,755)
Cash, beginning of year	<u>2,251,706</u>	<u>2,266,461</u>
Cash, end of year	<u>\$ 13,432,104</u>	<u>\$ 2,251,706</u>

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. GENERAL

The Corporation of the District of North Cowichan (the Corporation) was incorporated in 1873 under a statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The principal activities include community development, parks and recreation, police and fire protection, road transportation, forestry management, cemetery, solid waste, water utility, sewer utility, and fiscal services.

2. SIGNIFICANT ACCOUNTING POLICIES

It is the Corporation's policy to follow Canadian public sector accounting standards and to apply such principles consistently. The following is a summary of the Corporation's significant policies:

a) BASIS OF PRESENTATION

These consolidated financial statements consolidate the following operations:

- General Capital Fund
- General Revenue Fund
- Reserve Fund
- Water Systems Capital Fund
- Water Systems Revenue Fund
- Sewer Systems Capital Fund
- Sewer Systems Revenue Fund

The Corporation has an interest in a significant cost sharing arrangement: the Duncan - North Cowichan Joint Utilities Board. Adjustments have been made to these consolidated statements to include the Corporation's proportionate share of assets, liabilities and net revenues over expenditures of the administrative body at approximately the following percentage:

Duncan-North Cowichan Joint Utilities Board	53.69%
---	--------

Interfund transactions and balances have been eliminated.

b) BASIS OF ACCOUNTING

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the Community Charter.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d) INVESTMENTS

Investments are recorded at cost which at December 31, 2021, would approximate market value. Investments consist of cash on deposit in the Municipal Finance Authority ("MFA") investment funds that are highly liquid, readily convertible to cash, and are subject to an insignificant risk of change in value.

e) REVENUE RECOGNITION

- i) Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year.
- ii) Sale of services and user fee revenues are recognized when the service or product is rendered by the Corporation.
- iii) Grant revenues are recognized when the funding becomes receivable.
- iv) Revenue unearned in the current period is recorded as unearned revenue.
- v) Government transfers are recognized in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred or stipulations not met are included in deferred revenue.

f) PROPERTY ACQUIRED FOR TAXES - DEEDED TO MUNICIPALITY

Property acquired for taxes is presented at estimated historical values as either financial assets or non-financial assets. Properties that are presented as a financial asset are those which are readily available for sale during the subsequent period. Properties that are presented as non-financial assets are those that are either not saleable or will not be ready for sale within the subsequent period.

g) EMPLOYEE FUTURE BENEFITS AND COMPENSATION PAYABLE

The Corporation and its employees make contributions to the Municipal Pension Plan. The Corporation's contributions are expensed as paid.

Sick leave and other retirement benefits are also available to the Corporation's employees. The cost of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary increases. The obligation under these benefit plans is accrued based on project benefits as the employees render services necessary to earn the future benefits.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h) NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

i) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. Certain tangible capital assets for which historical cost information was not available were recorded at the current fair market values, in the year of recognition, discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Indefinite
Land Improvements	10 to 30 years
Buildings	15 to 50 years
Engineering Structures	10 to 60 years
Machinery & Equipment	5 to 40 years
Capital Works In Progress	Life determined when complete

Amortization is charged on a monthly basis, starting the month following the date of acquisition and ending in the month of disposition. Capital works in progress are not amortized until the asset is available for productive use. The Corporation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

Certain assets, which have historical or cultural value including works of art, historical documents, as well as historical and cultural artifacts, are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Crown lands that have not been purchased by the Corporation, water, and other natural resources, are not recognized as tangible capital assets.

Tangible capital assets received as contributions are recorded at their estimated fair value at the date the Corporation acquires ownership and are recorded as revenue.

Land and infrastructure assets contributed to the Corporation in 2021 totaled \$1,767,497 (2020 - \$10,866,949) and were capitalized at their fair value at the time of receipt.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

i) TANGIBLE CAPITAL ASSETS CONTINUED

Tangible capital assets are written down when conditions indicate they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

j) MATERIALS AND SUPPLIES

Inventories of materials and supplies are valued at weighted average cost with allowance made for damaged or obsolete goods.

k) LIABILITY FOR CONTAMINATED SITES

The Corporation recognizes a liability for remediation of a contaminated site when the site is no longer in productive use or an unexpected event resulting in contamination has occurred and the following criteria are satisfied: contamination exceeds an environmental standard, the Corporation is either directly responsible or has accepted responsibility for remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. Future economic benefits are expected to be given up if the Corporation has an external obligation to remediate a site or has commenced remediation on its own accord.

The Corporation has determined that no owned properties meet the criteria to recognize a liability for contaminated sites.

l) LEASES

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses incurred.

m) LOAN GUARANTEE

Periodically the Corporation provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in the Corporation's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of the Corporation until the Corporation considers it likely that the borrower will default on the specific loan obligation. Should a default occur, the Corporation's liability would be recorded in the consolidated financial statements.

n) APPROPRIATED SURPLUS - GENERAL REVENUE FUND

General Revenue Fund appropriations are non-statutory reserves established at the discretion of Council. These reserves are outlined in Note 17.

i) The reserve for property acquired for taxes is an amount set aside to offset the carrying value of property acquired for taxes.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

n) APPROPRIATED SURPLUS - GENERAL REVENUE FUND CONTINUED

- ii) Reserves for future expenditures are amounts set aside from past and current operations for future operating and capital expenditures.
- iii) The reserve for uncollected taxes is an amount set aside to offset uncollected taxes.
- iv) The reserve for the Joint Utilities Board is an amount set aside for future capital expenditures, established at the discretion of the Board.

o) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles as recommended by PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Areas requiring the use of management estimates relate to the determination of accrued sick benefits and retirement liability, collectability of accounts receivable, amortization of capital assets, deferred charges and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

3. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, restricted reserves, temporary financing and debt. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from these financial instruments.

4. CASH AND INVESTMENTS

Cash and investments are comprised of cash on hand, cash on deposit at financial institutions and investments held in Municipal Finance Authority of British Columbia investment funds.

	2021	2020
Cash	\$ 13,432,104	\$ 2,251,706
Temporary Investments	82,067,554	84,720,075
	<u>\$ 95,499,658</u>	<u>\$ 86,971,781</u>

Temporary Investments consist of short-term investments in the Municipal Finance Authority of BC, Govt. Focused Ultra-short bond fund and CIBC high interest savings and the market value is equal to the carrying value. Temporary Investments have yields ranging from nil% to 0.80%.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

4. CASH AND INVESTMENTS CONTINUED

Included in investments are the following restricted amounts that can only be expended in accordance with the terms of the Reserve and Restricted Reserve Funds.

	<u>2021</u>	<u>2020</u>
Restricted investments	\$ 36,910,496	\$ 34,997,998

5. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Property taxes	\$ 1,896,035	\$ 1,965,667
Water rates	342,353	325,810
Federal government	663,757	420,226
Provincial government	538,108	2,667,788
Local government	682,952	278,973
General	213,738	150,637
	<u>\$ 4,336,943</u>	<u>\$ 5,809,101</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
General	\$ 7,138,769	\$ 8,323,295
Wages and salaries	626,553	616,705
Accrued interest	133,485	126,329
	<u>\$ 7,898,807</u>	<u>\$ 9,066,329</u>

7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION

The Corporation and its employees make contributions to the Municipal Pension Plan. The Corporation's contributions are expensed as paid.

Sick leave cash-out and severance benefits accrue to the Corporation's employees. The liability relating to these benefits is determined in accordance with Section PS 3255 of the Public Sector Accounting Handbook of the Chartered Professional Accountants of Canada. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service life of employees.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION CONTINUED

The following amounts are the accrued liabilities in respect of Employee Future Benefits and wages payable:

	<u>2021</u>	<u>2020</u>
Lieu time payable	\$ 1,099,536	\$ 981,281
Sick leave cash-out and severance benefits	<u>2,797,500</u>	<u>2,738,700</u>
	<u>\$ 3,897,036</u>	<u>\$ 3,719,981</u>

Under the terms of the union contract, sick leave not taken in a year is carried forward to a maximum accumulation for 180 working days for each employee. On retirement or termination of employment after 5 years of service, sick leave accumulated is paid out at the employee's prevailing wage rate.

The Corporation also provides 30 days of paid leave at retirement, as prescribed by the Pension (Municipal) Act, at the employee's prevailing wage rate.

The liabilities for sick leave cash-out and severance benefits are based on an actuarial valuation as at December 31, 2021.

	<u>2021</u>	<u>2020</u>
Accrued benefit obligation	\$ 3,300,000	\$ 2,947,800
Unamortized actuarial loss	<u>(502,500)</u>	<u>(209,100)</u>
Accrued benefit liability	<u>2,797,500</u>	<u>2,738,700</u>
Benefit expense:		
Current service cost	322,200	289,500
Interest cost	47,200	67,000
Amortization of net actuarial (gain)/loss	<u>4,300</u>	<u>(13,600)</u>
	<u>\$ 373,700</u>	<u>\$ 342,900</u>

Significant actuarial assumptions as at December 31st include:

	<u>2021</u>	<u>2020</u>
Valuation interest rate	2.50%	1.60%
Rate of compensation increase	3.00%	2.25%
Expected coverage remaining service life (in years)	10	11

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

8. UNEARNED REVENUE

	2020	Contributions and interest	Revenue earned or refunded	2021
Prepaid taxes and licenses	\$ 2,690,055	\$ 6,079,893	\$ 5,856,489	\$ 2,913,459
Service fees and deposits	4,055,079	1,867,583	2,145,785	3,776,877
Aquatic Centre unearned revenue	42,747	102,087	60,277	84,557
General unearned revenues	442,168	1,187,781	54,935	1,575,014
Tax sale property subject to redemption	-	334,296	31,296	303,000
	<u>\$ 7,230,049</u>	<u>\$ 9,571,640</u>	<u>\$ 8,148,782</u>	<u>\$ 8,652,907</u>

9. MUNICIPAL FINANCE AUTHORITY - RESERVE DEPOSITS

The Corporation issues debt instruments through the Municipal Finance Authority ("MFA"). As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The Corporation also executes demand notes in connection with each debenture.

As at December 31, 2021, there were cash deposits held by MFA of \$406,747 (2020 - \$399,945). If at any time insufficient funds are provided by the Corporation or any other MFA borrower, the MFA may then use these funds to meet payments on its obligations. Should this occur, the Corporation may be called upon to restore the fund. The MFA has not yet required the debt reserve fund to meet obligations. If the debt is repaid without default, the deposits are refunded to the Corporation. Upon the maturity of a debt issue, the demand notes are released and deposits refunded to the Corporation. As at December 31, 2021, there were contingent demand notes of \$838,024 (2020 - \$838,024).

The cash deposits and contingent demand notes are not recorded in these financial statements.

10. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

Tangible Capital Assets	December 31, 2020	Additions	Disposals and Writedowns	December 31, 2021
Cost				
Land	\$ 53,093,957	\$ 681,877	\$ -	\$ 53,775,834
Land improvements	14,636,380	865,889	-	15,502,269
Buildings - Cost	48,547,514	3,795,498	-	52,343,012
Eng. Struct. - Cost	302,836,583	6,825,044	(165,890)	309,495,737
Machinery - Cost	46,239,313	1,376,092	(80,000)	47,535,405
WIP - Cost	9,027,833	12,192,280	(7,034,369)	14,185,744
Total cost	<u>474,381,580</u>	<u>25,736,680</u>	<u>(7,280,259)</u>	<u>492,838,001</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

10. TANGIBLE CAPITAL ASSETS CONTINUED

Accumulated amortization				
Land Imp. - Accum Amort	7,010,930	667,536	-	7,678,466
Buildings - Accum Amort	21,478,125	1,314,141	-	22,792,266
Eng. Struct. - Accum Amort	135,696,411	6,199,402	(158,597)	141,737,216
Machinery - Accum Amort	25,453,647	1,920,415	(80,000)	27,294,062
	<u>189,639,113</u>	<u>10,101,494</u>	<u>(238,597)</u>	<u>199,502,010</u>
Total accumulated amortization				
Net book value				
Land	53,093,957			53,775,834
Land improvements	7,625,450			7,823,803
Buildings	27,069,389			29,550,746
Engineered structures	167,140,172			167,758,521
Machinery	20,785,666			20,241,343
Work in progress	9,027,833			14,185,744
	<u>\$ 284,742,467</u>			<u>\$ 293,335,991</u>
Total net book value				

11. FUNDS HELD IN TRUST

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In particular, these funds are for the Cemetery Trust Fund. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the Corporation's Consolidated Financial Statements. A summary of trust fund activities by the Corporation is as follows:

	<u>2021</u>	<u>2020</u>
Assets		
Cash and short term investments	<u>\$ 439,979</u>	<u>\$ 423,707</u>
Equity		
Opening balances	423,707	406,419
Contributions	<u>16,272</u>	<u>17,288</u>
	<u>\$ 439,979</u>	<u>\$ 423,707</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

12. RESTRICTED RESERVES

Receipts which are restricted by the legislation of senior governments are deferred and reported as liabilities. Included in liabilities are reserves for development cost charges, the use of which, with any earnings thereon, is restricted by legislation or agreement with external parties. These amounts are recognized as revenue in the period in which corresponding expenditures are incurred.

<u>Development Cost Charges</u>	<u>2021</u>	<u>2020</u>
Opening	\$ 13,599,768	\$ 11,848,893
Contributions	1,380,664	1,586,744
Investment income	(1,354)	260,131
Amount spent	-	(96,000)
	<u>\$ 14,979,078</u>	<u>\$ 13,599,768</u>

13. FEDERAL GAS TAX AGREEMENT FUNDS

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Corporation and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

<u>Federal Gas Tax Agreement Funds</u>	<u>2021</u>	<u>2020</u>
Opening balance of unspent funds	\$ 1,675,173	\$ 1,641,753
Add: Amount received during the year	2,668,820	1,304,840
Add: Return on investment	(2,243)	33,420
Less: Amount spent	(1,363,979)	(1,304,840)
	<u>\$ 2,977,771</u>	<u>\$ 1,675,173</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

14. DEBENTURE DEBT

The Corporation holds debt through the Municipal Finance Authority, pursuant to security issuing bylaws under the authority of the Community Charter, to finance certain capital expenditures. Sinking fund balances, managed by MFA, are used to reduce long-term debt.

	M.F.A. Issue Number	Interest Rate	Maturity Date	Originally Approved	2021 Net Unmatured	2020 Net Unmatured
General Capital Fund						
Maple Bay Fire Hall	95	1.80%	Apr 12, 2025	\$ 1,600,000	\$ 420,767	\$ 518,413
Maple Bay Fire Hall	103	2.65%	Apr 23, 2028	500,000	220,821	247,703
Cowichan Aquatic Ctr	104	2.90%	Nov 20, 2028	15,000,000	6,624,625	7,431,107
Cowichan Aquatic Ctr	106	2.25%	Oct 12, 2029	2,265,500	1,122,345	1,239,466
Duncan Curling Club	N/A	4.00%	Jan 15, 2032	551,500	331,556	357,708
Tier 2 Flood Protection	121	2.90%	Oct 4, 2032	745,475	480,542	514,803
Tier 2 Flood Protection	124	3.15%	Apr 8, 2033	1,000,000	690,570	734,761
Municipal Hall Expansion	126	3.85%	Sep 26, 2033	1,500,000	1,035,855	1,102,142
Stoney Hill Road	131	2.20%	Apr 8, 2040	2,000,000	1,663,662	1,724,648
Tier 4 Flood Protection	137	2.60%	Apr 19, 2036	1,700,000	1,377,642	1,446,624
Tier 4 Flood Protection	141	2.80%	Apr 7, 2037	200,000	168,861	176,994
Fire Equipment loan	N/A	1.05%	Dec 31, 2024	516,700	516,700	-
				<u>27,579,175</u>	<u>14,653,946</u>	<u>15,494,369</u>
Water Capital Fund						
Crofton	106	2.25%	Oct 13, 2029	530,000	262,566	289,965
Chemainus	110	4.50%	Apr 08, 2030	1,750,000	955,396	1,044,425
Chemainus	137	2.60%	Apr 19, 2036	864,000	700,166	735,225
				<u>3,144,000</u>	<u>1,918,128</u>	<u>2,069,615</u>
				<u>\$ 30,723,175</u>	<u>\$ 16,572,074</u>	<u>\$ 17,563,984</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

14. DEBENTURE DEBT CONTINUED

Future payments on net outstanding debt over the next five years and thereafter are as follows:

	General	Water	Total
Principal repayments:			
2022	\$ 1,087,198	\$ 112,683	\$ 1,199,881
2023	1,090,001	112,683	1,202,684
2024	1,093,588	112,683	1,206,271
2025	920,369	112,683	1,033,052
2026	856,421	112,683	969,104
Thereafter	3,592,968	616,247	4,209,215
	<u>8,640,545</u>	<u>1,179,662</u>	<u>9,820,207</u>
Actuarial adjustments (estimated):			
2022	492,814	44,243	537,057
2023	546,342	49,878	596,220
2024	601,976	55,715	657,691
2025	659,766	61,764	721,530
2026	671,808	68,030	739,838
Thereafter	3,040,695	458,836	3,499,531
	<u>6,013,401</u>	<u>738,466</u>	<u>6,751,867</u>
	<u>\$ 14,653,946</u>	<u>\$ 1,918,128</u>	<u>\$ 16,572,074</u>

Interest paid during the year was \$819,130 (2020 - \$845,205).

15. TEMPORARY FINANCING

The Corporation issues temporary debt instruments through MFA, pursuant to security issuing bylaws under the authority of the Community Charter. Temporary financing is due on demand and will be repaid in full when MFA debenture debt is issued.

	M.F.A. Issue Number	Interest Rate	Maturity Date	Originally Approved	2021 Net Unmatured	2020 Net Unmatured
General Capital Fund	580-1	0.97%	N/A	\$ 48,000,000	\$ 11,100,000	\$ -
				<u>\$ 48,000,000</u>	<u>\$ 11,100,000</u>	<u>\$ -</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

16. COMMITMENTS AND CONTINGENT LIABILITIES

- a) The Cowichan Valley Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the Corporation and other local governments within the Cowichan Valley Regional District.
- b) Loan agreements with the Cowichan Valley Regional District and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Municipal Finance Authority's obligations in respect to such borrowings, the resulting deficiencies become a liability of the Corporation.
- c) The Corporation has guaranteed a commercial loan to a maximum of \$400,000 to the Duncan-Cowichan Chamber of Commerce. The loan matures January 1, 2025 at an annual interest rate of 3.75%.
- d) The Corporation and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2020 the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated rate is based on an entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Corporation paid \$1,378,066 (2020 - \$1,278,094) for employer contributions while employees contributed \$1,221,440 (2020 - \$1,135,522) to the Plan in fiscal 2021.

- e) At the end of the year the Corporation was involved in a number of legal actions the outcomes of which are indeterminate at this time. The Corporation carries liability insurance with a current deductible of \$25,000.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

17. ACCUMULATED SURPLUS

	<u>2021</u>	<u>2020</u>
Operating Funds		
Unappropriated:		
General	\$ 4,348,526	\$ 4,426,264
Water Systems	5,698,822	4,989,435
Sewer Systems	<u>18,383,187</u>	<u>16,840,437</u>
	<u>28,430,535</u>	<u>26,256,136</u>
Appropriated:		
Reserves for property acquired for taxes	2,341,177	2,341,177
Reserves for future expenditures	11,984,684	9,314,633
Reserve for uncollected taxes	1,295,091	1,295,091
Reserve for Joint Utilities Board	<u>1,105,246</u>	<u>1,034,693</u>
	<u>16,726,198</u>	<u>13,985,594</u>
	<u>45,156,733</u>	<u>40,241,730</u>
Capital Funds		
General Capital	210,674,860	212,023,583
Water Capital	32,160,965	31,986,242
Sewer Capital	21,234,302	22,022,196
Joint Utilities Board Capital	<u>2,188,930</u>	<u>1,741,601</u>
	<u>266,259,057</u>	<u>267,773,622</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

17. ACCUMULATED SURPLUS CONTINUED

	<u>2021</u>	<u>2020</u>
Reserve Funds		
Land Sales	4,210,978	4,211,105
Machinery and Equipment	5,220,108	4,124,170
Local Area Service	1,257,457	1,152,699
Forest	1,250,600	1,740,130
Park Development	225,689	225,696
Parkland Purchase	734,755	621,099
Chemainus Parking	178,531	170,540
Agriculture	330,417	300,426
Self-Insurance	226,163	176,169
Climate Action and Energy Plan	603,355	542,814
Maple Bay Sewer	93,686	93,689
Cowichan Aquatic Centre	711,618	586,636
Evans Park	174,822	174,827
Fuller Lake Arena	74,011	74,013
Harbours Crofton	75,721	57,973
Harbours Chemainus	416,523	408,535
Mural Protection	31,990	21,431
Gas Tax (Note 13)	2,977,771	1,675,173
Quamichan Lake	418,744	318,754
IT Asset Management	301,998	62,000
COVID-19 Safe Restart Grant	951,635	2,750,808
Infrastructure Replacement	830,878	1,299,858
Gravel Pits	558,647	534,363
Affordable Housing	75,320	75,323
	<u>21,931,417</u>	<u>21,398,231</u>
Accumulated Surplus	<u>\$ 333,347,207</u>	<u>\$ 329,413,583</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

18. BUDGET DATA

The budget data presented in these financial statements is based upon the 2021-2025 Financial Plan Bylaw adopted by council May 11, 2021. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	2021
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Principal debt repayment	1,095,550
Capital expenditures	54,407,100
Less:	
Amortization	(9,514,540)
Proceeds from borrowing	(28,600,000)
Budgeted transfers to reserve funds	(4,688,266)
Budgeted transfers from accumulated surplus	(5,995,200)
Adjusted Annual Surplus	<u>\$ 6,704,644</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

19. JOINT UTILITIES BOARD

Financial results for the Joint Utilities Board are consolidated into the Corporation's financial statements proportionately based on the units owned by each partner. In 2021, the Corporation's proportion for consolidation purposes was 53.69% (2020 – 53.69%). Condensed financial information for the Joint Utilities Boards is as follows:

	<u>2021</u>	<u>2020</u>
Net Financial Assets	\$ 2,058,836	\$ 1,927,423
Non-Financial Assets	<u>4,077,130</u>	<u>3,243,929</u>
Accumulated Surplus	<u>6,135,966</u>	<u>5,171,352</u>
Revenues	\$ 2,296,773	\$ 1,609,455
Expenses	<u>1,332,158</u>	<u>1,332,234</u>
Annual Surplus	<u>964,615</u>	<u>277,221</u>
North Cowichan Proportionate Share:		
Net Financial Assets	\$ 1,105,246	\$ 1,034,693
Non-Financial Assets	<u>2,188,930</u>	<u>1,741,601</u>
Accumulated Surplus	<u>3,294,176</u>	<u>2,776,294</u>
Revenues	\$ 1,233,088	\$ 864,082
Expenses	<u>715,207</u>	<u>715,248</u>
Annual Surplus	<u>\$ 517,881</u>	<u>\$ 148,834</u>

The Duncan – North Cowichan Joint Utilities Board is a government partnership that operates and maintains joint sewer lagoons on behalf of the City of Duncan and the District of North Cowichan. The distribution of expenditures related to operations is based on the number of users in each municipality as well as users from surrounding areas in the Cowichan Valley Regional District and the Cowichan Tribes.

The Joint Utilities Board leases the sewage lagoon lands under an operating lease which expires July 31, 2060. The Corporation's proportionate share of the lease payments for 2022 is \$217,445 and has an annual increase of 2.2%. The proportionate share of the total lease payments over the remaining term are estimated at \$13.0 million.

Because the percentage of units owned by the partners may change from year-to-year which produces different cost shares for each partner, there may be a write down or write up of asset balances. In 2021 the Corporation recorded a write up of assets in the amount of \$0 (2020 - \$0).

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. SEGMENT REPORTING

The Corporation's operations and activities are organized and reported by fund. Services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, which is outlined in Schedule I, along with the services they provide as follows:

GENERAL GOVERNMENT SERVICES

This segment includes Administration, Finance, Information Technology and other corporate services.

PROTECTIVE SERVICES

This segment includes police protection, fire protection, building and plumbing inspections, animal control, weed control, and other protective services.

ENGINEERING AND PUBLIC WORKS

This segment is responsible for the construction and maintenance of the Corporation's infrastructure, including drainage and transportation systems.

ENVIRONMENTAL HEALTH SERVICES

This segment is comprised of garbage and recycling collection, energy management and the Mountain View Cemetery.

FORESTRY SERVICES

This segment is responsible for the maintenance and management of the Municipal Forest Reserve.

COMMUNITY DEVELOPMENT

This segment includes planning and development, which includes processing development applications and developing related policies and regulations.

RECREATION AND CULTURE SERVICES

The Parks and Recreation department manages, facilitates, and maintains a system of services, facilities, and parks to enhance the quality of life for the citizens of North Cowichan.

WATER

This segment includes all of the operating activities related to the treatment and distribution of water throughout the Corporation.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. SEGMENT REPORTING CONTINUED

SEWER

This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout the Corporation.

RESERVE FUNDS

These funds have been created to hold assets for specific future requirements pursuant to the Community Charter.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxes, grants-in-lieu of taxes and any revenues not directly attributable to a segment are apportioned to the General Revenue Fund service based on the net annual budget. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE I

For the Year Ended December 31, 2021	General government services	Protective services	Engineering and public works	Environmental health services	Forestry services	Community development	Recreation and cultural services	Water	Sewer	Reserve Funds	Capital	Consolidated
Revenues												
Taxation	\$ 6,112,371	\$ 9,038,177	\$ 6,050,446	\$ 598,607	\$ -	\$ 1,471,880	\$ 7,736,054	\$ 2,256,161	\$ 2,721,784	\$ 2,309,417	\$ 224,777	\$ 38,519,675
Sales of services	268,991	591,437	1,096,183	1,723,537	120,040	-	1,554,691	3,249,780	2,124,194	-	-	10,728,853
Other revenue from own sources	329,619	1,355,195	218,005	-	-	121,367	191,560	14,752	-	-	-	2,230,498
Return on investments	33,961	50,217	33,617	3,326	-	8,178	42,983	(141)	(511)	21,037	-	192,667
Grants and government transfers	-	307,664	2,611,996	-	-	1,294,166	132,249	200,000	-	-	-	4,546,075
Collections from developers and others	-	-	-	-	-	-	-	-	-	-	1,889,214	1,889,214
Actuarial adjustments to debt	15,914	42,539	39,032	-	-	-	343,798	38,804	-	-	-	480,087
	<u>6,760,856</u>	<u>11,385,229</u>	<u>10,049,279</u>	<u>2,325,470</u>	<u>120,040</u>	<u>2,895,591</u>	<u>10,001,335</u>	<u>5,759,356</u>	<u>4,845,467</u>	<u>2,330,454</u>	<u>2,113,991</u>	<u>58,587,069</u>
Expenses												
Salaries, wages and benefits	5,022,689	4,121,522	3,805,804	728,552	308,285	1,058,376	4,506,277	1,498,154	836,892	-	-	21,886,551
Contract services	1,446,044	5,525,915	1,746,484	876,315	228,390	273,859	2,693,279	702,660	916,218	-	-	14,409,164
Materials and supplies	(197,124)	703,011	763,829	436,023	92,841	61,416	3,066,700	1,495,428	894,542	-	-	7,316,666
Amortization	244,347	517,417	5,610,756	75,921	11,214	-	1,337,756	1,238,140	1,065,942	-	-	10,101,494
Interest	57,750	35,012	146,919	-	-	-	499,760	62,417	17,273	-	-	819,130
Expenditures before losses, write downs and transfers	6,573,706	10,902,877	12,073,792	2,116,811	640,730	1,393,651	12,103,772	4,996,799	3,730,867	-	-	54,533,005
Loss on sale, write downs and transfer of TCA	-	-	16,455	-	-	-	-	95,368	8,617	-	-	120,440
	<u>6,573,706</u>	<u>10,902,877</u>	<u>12,090,247</u>	<u>2,116,811</u>	<u>640,730</u>	<u>1,393,651</u>	<u>12,103,772</u>	<u>5,092,167</u>	<u>3,739,484</u>	<u>-</u>	<u>-</u>	<u>54,653,445</u>
Excess of revenues over expenses	<u>\$ 187,150</u>	<u>\$ 482,352</u>	<u>\$ (2,040,968)</u>	<u>\$ 208,659</u>	<u>\$ (520,690)</u>	<u>\$ 1,501,940</u>	<u>\$ (2,102,437)</u>	<u>\$ 667,189</u>	<u>\$ 1,105,983</u>	<u>\$ 2,330,454</u>	<u>\$ 2,113,991</u>	<u>\$ 3,933,624</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
OPERATIONS BY SEGMENT
 FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE I

For the Year Ended December 31, 2020	General government services	Protective services	Engineering and public works	Environmental health services	Forestry services	Community development	Recreation and cultural services	Water	Sewer	Reserve Funds	Capital	Consolidated
Revenues												
Taxation	\$ 5,305,067	\$ 8,735,216	\$ 5,567,938	\$ 234,022	\$ -	\$ 1,256,636	\$ 8,135,520	\$ 2,145,121	\$ 2,631,708	\$ 1,976,524	\$ 1,252,984	\$ 37,240,736
Sales of services	258,786	518,855	271,914	1,574,053	384,443	-	1,340,828	2,887,262	2,032,079	-	-	9,268,220
Other revenue from own sources	374,860	1,029,951	169,803	-	-	90,853	22,646	11,717	-	-	-	1,699,830
Return on investments	68,183	112,268	71,561	3,008	-	16,151	104,561	79,462	307,227	363,999	-	1,126,420
Grants and government transfers	-	420,354	5,644,691	-	-	5,000	2,373,443	200,000	-	-	334,506	8,977,994
Collections from developers and others	-	-	-	-	-	-	-	-	-	-	11,080,199	11,080,199
Actuarial adjustments to debt	13,365	43,644	31,383	-	-	-	308,274	36,746	-	-	-	433,412
	<u>6,020,261</u>	<u>10,860,288</u>	<u>11,757,290</u>	<u>1,811,083</u>	<u>384,443</u>	<u>1,368,640</u>	<u>12,285,272</u>	<u>5,360,308</u>	<u>4,971,014</u>	<u>2,340,523</u>	<u>12,667,689</u>	<u>69,826,811</u>
Expenses												
Salaries, wages and benefits	4,817,932	3,489,008	2,981,830	676,403	312,563	846,700	3,585,217	1,315,562	788,646	-	-	18,813,861
Contract services	1,169,065	5,606,145	1,351,943	805,661	413,767	282,018	2,545,159	608,844	1,044,740	-	-	13,827,342
Materials and supplies	(249,998)	739,077	592,533	432,363	111,957	39,484	1,580,147	1,459,188	753,420	-	-	5,458,171
Amortization	207,330	497,079	5,556,033	75,921	11,214	-	1,238,472	1,214,846	1,052,021	-	-	9,852,916
Interest	57,750	38,968	146,919	-	-	-	500,787	79,905	20,877	-	-	845,206
Expenditures before losses, write downs and transfers	6,002,079	10,370,277	10,629,258	1,990,348	849,501	1,168,202	9,449,782	4,678,345	3,659,704	-	-	48,797,496
Loss on sale, write downs and transfer of TCA	-	-	14,263	-	-	-	-	9,329	1,295	-	-	24,887
	<u>6,002,079</u>	<u>10,370,277</u>	<u>10,643,521</u>	<u>1,990,348</u>	<u>849,501</u>	<u>1,168,202</u>	<u>9,449,782</u>	<u>4,687,674</u>	<u>3,660,999</u>	<u>-</u>	<u>-</u>	<u>48,822,383</u>
Excess of revenues over expenses	<u>\$ 18,182</u>	<u>\$ 490,011</u>	<u>\$ 1,113,769</u>	<u>\$ (179,265)</u>	<u>\$ (465,058)</u>	<u>\$ 200,438</u>	<u>\$ 2,835,490</u>	<u>\$ 672,634</u>	<u>\$ 1,310,015</u>	<u>\$ 2,340,523</u>	<u>\$ 12,667,689</u>	<u>\$ 21,004,428</u>

Supplementary Schedules
(Unaudited)

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
COVID-19 SAFE RESTART GRANT
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE II

	2021	2020
Balance, beginning of year	\$ 2,750,808	\$ -
Receipt of funds	-	4,419,000
Interest earned	34	1,901
Uses of funds		
Revenue shortfall - Cowichan Aquatic Centre	1,149,130	844,471
Revenue shortfall - Fuller Lake Arena	-	144,222
Unplanned pandemic expenses	-	681,400
General government operating expenses	88,390	-
Bylaw enforcement	119,400	-
IT operating expenses	201,227	-
Parks and recreation operating expenses	79,760	-
Capital expenses	161,300	-
	1,799,207	1,670,093
Balance, end of year	\$ 951,635	\$ 2,750,808

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
TAXATION
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE III

	2021 Budget	2021	2020
Municipal Purposes:			
General taxation	\$ 32,165,170	\$ 32,133,370	\$ 30,960,005
Business Improvement Area	116,000	113,559	116,522
Local Area Service	95,350	95,348	95,348
Utilities	981,450	981,451	1,079,159
Grants-in-lieu of taxes	214,880	218,002	212,873
Water systems	2,248,910	2,256,161	2,145,121
Sewer systems	2,725,000	2,721,784	2,631,708
Total Municipal Taxes	<u>38,546,760</u>	<u>38,519,675</u>	<u>37,240,736</u>
Collections for Other Governments:			
School	12,000,000	13,910,383	11,828,581
Cowichan Valley Regional Hospital District	4,100,000	4,103,334	4,107,571
Cowichan Valley Regional District	9,300,000	9,621,701	9,335,402
BC Assessment	394,000	410,462	394,024
Municipal Finance Authority	1,500	1,703	1,592
Total Collections for Other Governments	<u>25,795,500</u>	<u>28,047,583</u>	<u>25,667,170</u>
	<u>64,342,260</u>	<u>66,567,258</u>	<u>62,907,906</u>
Deduct: requisitions remitted to other taxing authorities	<u>(25,795,500)</u>	<u>(28,047,583)</u>	<u>(25,667,170)</u>
Total Taxes Levied	<u>\$ 38,546,760</u>	<u>\$ 38,519,675</u>	<u>\$ 37,240,736</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
SALES OF SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE IV

	2021 Budget	2021	2020
General government service	\$ 83,570	\$ 145,057	\$ 128,387
Protective services	329,710	387,724	307,886
Fire protection	239,170	203,713	210,969
Engineering and public works	196,380	1,096,183	271,914
Residential garbage - municipal	1,529,500	1,555,193	1,438,958
Forestry	209,150	120,040	384,443
Cowichan Aquatic Centre	1,112,000	1,143,162	950,331
Fuller Lake Arena	151,630	167,730	154,775
Other recreation	54,410	33,232	44,691
Wharves	191,240	210,568	191,031
Miscellaneous	95,510	123,933	130,399
Cemetery	129,140	168,344	135,095
Water	2,710,900	3,249,780	2,887,262
Sewer	1,894,460	2,124,194	2,032,079
	<u>\$ 8,926,770</u>	<u>\$ 10,728,853</u>	<u>\$ 9,268,220</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
OTHER REVENUE FROM OWN SOURCES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE V

	2021 Budget	2021	2020
Licences and permits	\$ 1,111,140	\$ 1,442,810	\$ 1,014,153
Tax penalties and interest	343,400	273,538	308,933
Fines	4,550	199,234	29,056
Rentals	289,580	300,164	335,971
Water	14,090	14,752	11,717
	\$ 1,762,760	\$ 2,230,498	\$ 1,699,830

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
GRANTS AND GOVERNMENT TRANSFERS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE VI

	2021 Budget	2021	2020
Operating Grants			
Traffic fines revenue	\$ 295,000	\$ 299,702	\$ 294,973
Other grants	152,000	1,503,052	4,634,272
	447,000	1,802,754	4,929,245
Capital Grants			
Fuel tax	1,304,000	2,718,321	3,632,343
<i>Infrastructure Grants (Prov/Fed)</i>			
Water	700,000	-	-
Sewer	1,124,200	-	-
Other	4,722,044	-	334,506
	6,546,244	-	334,506
<i>Provincial and Other Grants</i>			
ICBC grants	-	25,000	81,900
	-	25,000	81,900
	\$ 8,297,244	\$ 4,546,075	\$ 8,977,994

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
GENERAL GOVERNMENT SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE VII

	2021 Budget	2021	2020
Legislative	\$ 369,190	\$ 339,895	\$ 299,736
Administrative	4,916,840	4,530,003	4,317,375
Financial services	1,141,320	1,192,326	1,038,317
Common services	984,830	942,533	797,145
Miscellaneous	162,650	152,002	160,996
Administration recoveries	(889,290)	(885,150)	(876,570)
Interest	57,550	57,750	57,750
Amortization	192,360	244,347	207,330
	<u>\$ 6,935,450</u>	<u>\$ 6,573,706</u>	<u>\$ 6,002,079</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
PROTECTIVE SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE VIII

	2021 Budget	2021	2020
Police protection:			
R.C.M.P. contract	\$ 5,380,780	\$ 4,794,859	\$ 5,005,848
Municipal employees	1,646,080	1,684,481	1,520,969
Crime prevention	7,720	7,100	7,100
Building maintenance	246,770	207,596	250,696
Bylaw enforcement	762,300	775,875	578,333
	8,043,650	7,469,911	7,362,946
Fire protection:			
General fire protection	335,190	385,062	263,867
Chemainus fire hall	362,540	386,615	346,853
Crofton fire hall	336,630	342,293	310,946
Maple Bay fire hall	357,940	337,758	343,546
South End fire hall	474,010	614,475	432,398
	1,866,310	2,066,203	1,697,610
Other protection:			
Building and plumbing inspections	581,500	614,719	570,324
Animal control	178,150	179,233	178,569
Weed control	9,290	2,430	2,951
Mosquito control	15,150	17,952	21,830
	784,090	814,334	773,674
Interest	189,950	35,012	38,968
Amortization	487,050	517,417	497,079
	677,000	552,429	536,047
	\$ 11,371,050	\$ 10,902,877	\$ 10,370,277

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
ENGINEERING AND PUBLIC WORKS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE IX

	2021 Budget	2021	2020
Administration	\$ 2,459,640	\$ 2,253,293	\$ 1,602,256
Small tools and equipment	57,810	51,831	55,796
Workshop and yard maintenance	196,590	235,326	248,564
Roads - construction	50,620	55,447	61,744
Roadway and surfaces maintenance	1,461,600	1,367,659	1,400,727
Snow and ice removal	385,310	707,847	502,553
Bridge - maintenance	6,010	8,956	4,089
Street lighting	502,460	447,489	458,497
Signs and line painting	335,560	293,560	297,006
Drainage	712,700	950,067	795,555
Sidewalk maintenance	21,160	49,238	18,378
Other transportation	268,970	642,320	222,421
Administration recoveries	(730,830)	(746,916)	(741,280)
Loss on sale, write downs and transfer of TCA	-	16,455	14,263
Interest	146,920	146,919	146,919
Amortization	5,347,970	5,610,756	5,556,033
	<u>\$ 11,222,490</u>	<u>\$ 12,090,247</u>	<u>\$ 10,643,521</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
ENVIRONMENTAL HEALTH SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE X

	2021 Budget	2021	2020
Garbage collection and recycling	\$ 1,419,560	\$ 1,482,726	\$ 1,436,058
Cemetery	162,700	210,128	205,134
Environmental	633,850	348,036	273,235
Amortization	75,920	75,921	75,921
	\$ 2,292,030	\$ 2,116,811	\$ 1,990,348

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
RECREATION AND CULTURAL SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (UNAUDITED)

SCHEDULE XI

	2021 Budget	2021	2020
Administration	\$ 280,780	\$ 243,012	\$ 189,723
Crofton swimming pool	77,720	38,534	19,428
Cowichan Aquatic Centre	3,526,560	3,342,882	2,651,852
Fuller Lake Arena	999,440	1,062,096	954,055
Parks common services	158,890	164,446	66,120
Community recreation program	137,880	105,617	81,211
Chemainus parks and playgrounds	483,110	497,702	376,698
Crofton parks and playgrounds	200,820	228,162	189,641
South End parks and playgrounds	1,305,940	1,393,257	1,245,148
Wharves	183,600	152,915	169,002
Library	1,560,300	1,577,297	1,533,901
Grants-in-aid	228,410	1,460,336	233,744
Interest	500,840	499,760	500,787
Amortization	1,210,680	1,337,756	1,238,472
	<u>\$ 10,854,970</u>	<u>\$ 12,103,772</u>	<u>\$ 9,449,782</u>

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
Financial Statements

(Audited)

DECEMBER 31, 2021

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
FOR THE YEAR ENDED DECEMBER 31, 2021

CONTENTS

	<u>Page</u>
Financial Statements	
Statement of Responsibility	1
Independent Auditors' Report	2
Statement of Financial Position	4
Statement of Operations	5
Notes to the Financial Statements	6
Tangible Capital Assets	10

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
FOR THE YEAR ENDED DECEMBER 31, 2021

Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the Duncan - North Cowichan Joint Utilities Board and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative control designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The North Cowichan Municipal Council met with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters before approving the financial statements.

KPMG LLP, as the Duncan – North Cowichan Joint Utilities Board’s appointed external auditors, has audited the financial statements. The Auditor’s report is addressed to the Duncan – North Cowichan Joint Utilities Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Duncan – North Cowichan Joint Utilities Board in accordance with Canadian public sector accounting standards.



Talitha Soldera
Director, Financial Services
May 4, 2022



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Duncan – North Cowichan Joint Utilities Board

Opinion

We have audited the financial statements of Duncan – North Cowichan Joint Utilities Board (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity
KPMG Canada provides services to KPMG LLP.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
May 6, 2022

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	<u>2021 Actual</u>	<u>2020 Actual</u>
Financial Assets		
Investments (Notes 3 and 5)	<u>\$ 4,255,217</u>	<u>\$ 4,410,600</u>
Financial Liabilities		
Unearned revenue	<u>2,196,381</u>	<u>2,483,177</u>
Net Financial Assets	<u>2,058,836</u>	<u>1,927,423</u>
Non-Financial Assets		
Tangible capital assets (Schedule I)	<u>4,077,130</u>	<u>3,243,928</u>
Accumulated Surplus (Note 6)	<u><u>\$ 6,135,966</u></u>	<u><u>\$ 5,171,351</u></u>

Approved by:



T. Soldera
Director, Financial Services

See accompanying notes to the financial statements.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021, WITH COMPARATIVE INFORMATION FOR 2020

	2021 Budget (Note 8)	2021 Actual	2020 Actual
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Contributions from:			
The Corporation of the District of North Cowichan	\$ 1,020,580	\$ 880,554	\$ 676,435
The Corporation of the City of Duncan	599,980	498,824	395,448
Cowichan Valley Regional District	254,530	249,043	201,710
Cowichan Tribes	36,540	36,774	27,008
Return on investments	-	16,212	36,154
Grants and government transfers	1,124,200	615,366	272,700
	<u>3,035,830</u>	<u>2,296,773</u>	<u>1,609,455</u>
Expenses			
Administration	59,180	59,155	59,161
Amortization	89,850	89,849	89,849
Sewer lagoon operations and maintenance	1,183,540	1,183,154	1,183,224
	<u>1,332,570</u>	<u>1,332,158</u>	<u>1,332,234</u>
Annual Surplus	\$ 1,703,260	964,615	277,221
Accumulated surplus, beginning of year	<u>5,171,351</u>	<u>5,171,351</u>	<u>4,894,130</u>
Accumulated surplus, end of year	<u><u>\$ 6,874,611</u></u>	<u><u>\$ 6,135,966</u></u>	<u><u>\$ 5,171,351</u></u>

See accompanying notes to the financial statements

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

It is the Board's policy to follow Canadian public sector accounting standards and to apply such principles consistently. The following is a summary of the Board's significant policies:

a) Basis of Accounting

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

b) Revenue recognition

- i) Contributions from partners are recognized when invoiced.
- ii) Government transfers are recognized in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred or stipulations not met are included in unearned revenue.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the Community Charter.

d) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	15 to 50 years
Engineering Structures	10 to 60 years
Machinery & Equipment	5 to 40 years

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

e) Tangible Capital Assets continued

Amortization is charged on a monthly basis, starting the month following the date of acquisition and ending in the month of disposition. Capital works in progress are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate they no longer contribute to the Board's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles as recommended by PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. An area requiring the use of management estimates relate to the determination of amortization of capital assets. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

2. SUMMARY OF OPERATIONS

The Duncan – North Cowichan Joint Utilities Board is a government partnership that operates and maintains joint sewer lagoons on behalf of the City of Duncan and the District of North Cowichan. The distribution of expenditures related to operations is based on the number of users in each municipality.

3. INVESTMENTS

Investments are carried at cost, which at December 31, 2021, would approximate market value. The balance of investments has been internally restricted by the Board and is to be expended in accordance with the terms of the reserve for capital expenditure.

4. OPERATING LEASE

The Board leases the sewage lagoon lands under an operating lease which expires July 31, 2060. Lease payments for 2022 are \$405,000 and have an annual increase of 2.2%. The total lease payments over the remaining term are estimated at \$24.2 million.

5. FINANCIAL INSTRUMENTS

The Board's financial instruments consist of investments. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest or credit risks arising from these financial instruments.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

6. CAPITAL RESERVE FUNDS

Included in the accumulated surplus are capital reserve funds. The Capital reserve funds are non-statutory reserves, for the purpose of future capital expenditures, established at the discretion of the Board. Balances and changes are outlined as follows:

	2021	2020
Balances, beginning of year	\$ 1,927,423	\$ 1,776,069
Add: transfers from current operations	131,413	151,354
Balance, end of year	\$ 2,058,836	\$ 1,927,423

7. LISTING OF OPERATING EXPENSES BY OBJECT TYPE

The following provides a summary of operating expenses by object:

	2021	2020
Salaries, wages and benefits	\$ 267,849	\$ 236,577
Contract services	54,758	48,192
Amortization	89,849	89,849
Materials and supplies	523,361	569,807
Land rent	396,341	387,809
Total expense	\$ 1,332,158	\$ 1,332,234

8. BUDGET DATA

The budget data presented in these financial statements is based upon the 2021-2025 Financial Plan Bylaw. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	2021
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	1,677,910
Less:	
Amortization	(89,850)
Budgeted transfers to reserve funds	115,200
Adjusted Annual Surplus	\$ 1,703,260

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

9. STATEMENTS OF CHANGES IN NET FINANCIAL ASSETS AND CASH FLOWS

The statements of changes in net financial assets and cash flows have not been prepared as they are not considered to provide any additional useful information.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
TANGIBLE CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE I

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2020	2021 Additions	2021 Disposals	2021 Write-downs	Balance December 31, 2021	Balance December 31, 2020	2021 Additions	2021 Disposals	Balance December 31, 2021	2020	2021
Buildings	\$ 192,388	\$ -	\$ -	\$ -	\$ 192,388	\$ 14,830	\$ 4,810	\$ -	\$ 19,640	\$ 177,558	\$ 172,748
Engineering Structures	2,485,489	-	-	-	2,485,489	426,676	49,709	-	476,385	2,058,813	2,009,104
Machinery & Equipment	706,581	-	-	-	706,581	108,931	35,329	-	144,260	597,650	562,321
Work In Progress	409,907	923,050	-	-	1,332,957	-	-	-	-	409,907	1,332,957
	<u>\$ 3,794,365</u>	<u>\$ 923,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,717,415</u>	<u>\$ 550,437</u>	<u>\$ 89,849</u>	<u>\$ -</u>	<u>\$ 640,285</u>	<u>\$ 3,243,928</u>	<u>\$ 4,077,130</u>